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Message Text

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PAGE 01 KINSHA 06425 310713Z

11
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SUBJ: FY76 CCP: FOURTH QUARTER PROGRESS REPORT

1. OVERVIEW: ALTHOUGH THE QUARTER SAW NO GREAT IMPROVEMENT IN ZAIRE'S FINANCIAL SITUATION, THERE WAS AT LEAST SOME MOMENTARY RELIEF FOR ZAIRIAN CONSUMERS AS FOOD PRODUCTS FINANCED IN PART BY IMF AND OTHER FOREIGN LOANS BECAME AVAILABLE IN URBAN MARKETS. MEANWHILE, THE GOZ MOVED AHEAD ON ITS STABILIZATION PROGRAM DESIGNED TO CORRECT THE COUNTRY'S FINANCIAL PROBLEMS AS WELL AS LAY THE FOUNDATION FOR FUTURE ECONOMIC GROWTH. THE MARCH 12 DEVALUATION WAS FOLLOWED BY PRICE INCREAWES FOR IMPORTED GOODS AS WELL AS FOR THOSE GOODS WITH IMPORTED CONTENT. FOR EXAMPLE, PETROLEUM PRODUCTS WENT UP THE FULL EFFECTIVE AMOUNT OF THE DEVALUATION, SOME 70 PERCENT. ALSO INCREASED WERE PRICES PAID TO PRODUCERS OF CERTAIN EXPORT COMMO-DITIES, I.E. COFFEE AND PALM OIL AND IMPORT COMPETITIVE GOODS SUCH AS CORN, RICE, MEAT, SUGAR, MANIOC, ETC.

2. IN MEASURES TO TIGHTEN FURTHER THE INFLOW OF IMPORTS, THE GOZ BEGAN TO IMPLEMENT CREDIT CONTROLS AND IMPOSED 50 TO 100 PERCENT IMPORT DEPOSIT REQUIRMENTS, THUS MAKING IT EVEN MORE DIFFICULT FOR WOULD-BE EXPORTERS TO ZAIRE. (DESPITE THE RAISED DEPOSIT REQUIREMENTS, SUPPLIERS ARE STILL BEING ASKED FOR 180-DAY CREDITS.) NEVERTHELESS, THE PERIOD SAW SOME ACCOMPLISHMENTS TOWARD IMPLEMEN-TING A VIABLE PROGRAM AS ZAIRE REACHED AN AGREEMENT IN PRINCIPLE
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PAGE 02 KINSHA 06425 310713Z

IN JUNE WITH ITS MAJOR GOVERNMENTAL CREDITORS THAT, IT EXTENDED

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

TO ALL EXTERNAL LONG-TERM DEBT, WOULD GIVE ZAIRE SOME $330 MILLION
OF DEBT RELIEF IN 1976 AND $150 MILLION IN 1977.

3. DESPITE THE SOMBER PAYMENTS SITUATION, ZAIRE REMAINED INTERE-
STING TO US EXPORTERS DUE TO INTERNATIONALLY-FINANCED PROJECTS
AND A DRAMATIC INCREASE IN FOREIGN ASSISTANCE. WITH REFERENCE TO
THE IBRD-FINANCED OFFICE DES ROUTES PROJECT, SUPPLIERS WERE CHOSEN
FOR SEVEN OUT OF THE EIGHT LOTS OF EQUIPMENT, OF WHICH US (OR PART
US) SUPPLIERS CAPTURED THREE. TENDER DOCUMENTS HAVE BEEN MADE
AVAILABLE FOR THE REGIDESO WATER SUPPLY PROJECT, AND ONE MAJOR US
CONSTRUCTION FIRM IS PURSUING THE POSSIBILITY OF MAKING A BID.
MEANWHILE, ONATRA HAS BEGUN TO ANNOUNCE A CALL FOR TENDERS FOR THE
SUPPLY OF EQUIPMENT UNDER A $26 MILLION IBRD LOAN AND GECAMINES
HAS CALLED FOR TENDERS FOR A LIME KILN AND FOR A RECEPTION
FACILITY FOR LIME AND COKE. ON THE US LOAN SIDE, AGRICULTURAL
PRODUCTS CONTINUE TO ARRIVE UNDER A $15 MILLION CCC LINE OF CREDIT.
ADDITIONALLY, AGRICULTURAL PRODUCTS UNDER PL480 LOANS TOTALING
$13 MILLION BEGAN TO ARRIVE. EXIMBANK APPROVED IN PRINCIPLE LOANS
AND GUARANTEES OF $78 MILLION OF COST OVERRUN FINANCING FOR THE INGA-
SHABA POWER PROJECT AND $20 MILLION FOR GECAMINES TO BE USED PRIN-
CIPALLY FOR SPARES. FINALLY, AID PROVIDED $10 MILLION COMMODITY
IMPORT LOAN FROM FY76 FUNDS AND CONGRESS IS CONSIDERING ANOTHER
LOAN FOR FY77. US LOANS WILL LIKELY BEAR THE MAJOR BURDEN OF
US EXPORTS TO ZAIRE FOR THE FORESEEABLE FUTURE IN VIEW OF ZAIRE'S
SERIOUS FOREIGN EXCHANGE SHORTAGE.

4. US COMPANIES IN ZAIRE, USUALLY HARD-PRESSED FOR HARD CURRENCY
REQUIRMENTS TO MAINTAIN MINIMAL OPERATIONS AND PRODUCTION,
GENERALLY FARED SOMEWHAT BETTER DURING THE QUARTER UNDER REVIEW
AND GOT SOME ALLOCATIONS OF FOREIGN CURRENCY. THEY WERE BELOW
OPTIMAL NEEDS (A SITUATION EXACERBATED BY THE GOZ'S PAST LACK
OF PERFORMANCE IN THIS RESPECT) BUT ENOUGH TO KEEP GOING.
MEANWHILE, THE GOZ MADE SUBSTANTIAL PROGRESS IN THE RETROCESSION
OF THE PETROLEUM AND PHARMACEUTICAL SECTORS TO THEIR FORMER PRIVATE
OWNERS WITH CONSEQUENT BENEFITS FOR THE US FIRMS INVOLVED. IT
NOW APPEARS THAT TEXACO AND MOBIL WILL SURFACE AGAIN AS MARKETING
ENTITIES IN ZAIRE, WHILE JOINING WITH PETROZAIRE, SHELL AND
BELGIUM'S FINA TO OPERATE A SERVICE COMPANY. MOST ZAIRIAN
PHARMACEUTICAL FIRMS HAVE BEEN RETURNED TO THE PRIVATE SECTOR. IT
IS STILL SOMEWHAT EARLY TO TELL HW THE FOREIGN FIRMS WILL COME
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OUT OF THIS, BUT AT THIS READING THE EMBASSY IS REASONABLY OPTI-
MISTIC AT PROSPECTS FOR US INTERESTS. GOZ AUTHORITIES ARE WRESTLING
WITH THE MODALITIES OF RESTORING SOME 80 MAJOR FIRMS TO THE MANAGEMEN
T
OF THEIR FORMER OWNERS. THEY FACE THE PROBLEM THAT MANY OF THE
FORMER OWNERS ARE NOT AS EAGER TO RETURN AS THE GOZ HAD ANTICIPATED.
MEANWHILE, IN THE INTERIM, CERTAIN ZAIRIAN ELITES WHO HAD PICKED
UP "WINDFALL" INTERESTS IN THESE FIRMS ARE RELUCTANT TO GIVE THEM

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UP. A NUMBER OF THE RETURNING EXPATRIATE OWNERS ARE COMING TO SATISFACTORY PARTNERSHIP ARRANGEMENTS WITH THESE ZAIRIANS BUT CONFLICTS HAVE ARISEN IN SOME CASES WHEN ZAIRIANS HAVE TRIED TO MAINTAIN DOMINANT ROLES IN THE MANAGEMENT. THESE DISPUTES MUST BE RESOLVED BY THE GOZ AUTHORITIES. (THE BASIC OFFER TO THE FORMER EXPATRIATE OWNERS IS 40 PERCENT WITH MANAGEMENT CONTROL, WITH 60 PER CENT BEING RETAINED BY THE GOVT. HOWEVER, IN SOME CASES TENTATIVELY SETTLED, THE GOZ HAS SHOWN CONSIDERABLE FLEXIBILITY IN THEIR TERMS.) THE PROCESS HAS BEEN SLOW AND TORTUOUS. MEANWHILE, RETURNING OWNERS ARE NOT EXACTLY TRYING TO TURN THE COMPANIES AROUND OVERNIGHT, ESPECIALLY WHEN IT WOULD INVOLVE BRINING IN OUTSIDE MONEY. THUS, BETWEEN THE SLOW-MOVING BUREAUCRACY, ALONG WITH UNREALISTIC EXPECTATIONS ON THE PART OF THE GOZ, AND THE APATHY OR MISTRUST OF THE RETURNING PROPRIETORS, THE "DE-ZAIRIANIZATION" PROGRAM CAN POSSIBLE END IN DISAPPOINTMENT AND FRUSTRATION FOR BOTH SIDES. YET THE SUCCESS OF THIS PROGRAM IS CRUCIAL FOR THE HOPED-FOR RESURGENCE OF THE ECONOMY.

5. J.I. CASE JOINED THE AMERICAN COMPANIES WITH DIRECT REPRESENTATION IN KINSHASA DURING THE QUARTER. ACCORDING TO THE REGIONAL REP, CASE WILL SET UP A TECHNICAL MAINTENANCE FACILITY HERE TO MAINTAIN AS WELL AS MARKET CASE'S CONSTRUCTION EQUIPMENT.

CAMPAIGNS:
6. CAMPAIGN A: BUILDING AND CONSTRUCTION EQUIPMENT AND SUPPLIES: WITH EXCEPTION OF ZAIRIAN BUYERS ATTENDING CHICAGO SHOW, OBJECTIVES HAVE BEEN MET.

7. CAMPAIGN B: EQUIPMENT FOR TRANSPORT SECTOR: WITH SUBMISSION OF TRANSPORT STUDY IN JUNE, ATTAINABLE OBJECTIVES HAVE BEEN MET.

8. CAMPAIGN C: EQUIPMENT FOR MINERALS SECTOR AND POWER SECTORS: AGAIN, DUE TO THE FOREIGN EXCHANGE CRUNCH, IT HAS BEEN IMPOSSIBLE TO
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PAGE 04 KINSHA 06425 310713Z

BUYER GROUPS TO THE US. OTHERWISE, THE OBJECTIVES HAVE BEEN MET.

9. CAMPAIGN D. TARGETING NEW ZAIRIAN BUSINESS LEADERS: EMBASSY SUCCESSFULLY EXTENDED ACTIVITIES TO BAS ZAIRE, HAUT ZAIRE AND NORTH KIVU, SUBSTANTIALLY OVER-SUBSCRIBING OBJECTIVES OF CAMPAIGN. HOWEVER, DUE TO STILL INCREASING DIFFICULTIES OF GETTING FOREIGN EXCHANGE ALLOCATIONS, WTDR SUBMISSIONS HAVE BEEN CONSCIOUSLY REDUCED TOWARD END OF FISCAL YEAR. ONLY THOSE WITH A REALISTIC CHANCE OF DEVELOPING BUISNESS ARE BEING SUBMITTED.

10. CAMPAIGN E. AGRO-BUSINESS SECTOR: THE OBJECTIVES OF THIS CAMPAIGN HAVE BEEN MET WITH THE COMMERCIAL ATTACHE'S TEN-DAY VISIT TO KIVU DURING JUNE. A DETAILED REPORT IS FORTHCOMING.
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